

TO: Mayor and City Council

FROM: City Staff

SUBJECT: Utility Tax

Introduction

This report discusses the budgetary and community impact of increasing the utility tax from the present 5% to 7% in order to partially offset the loss of revenue if Proposition 13 passes.

Background

It is estimated the 1978-79 utility tax revenues based on the present 5% rate will yield \$1,990,000. A 2% increase in the utility tax would yield approximately \$800,000. Annual household utility bills average \$41.19 per month. The utility tax at 5% is \$2.06 monthly. A 2% increase in the utility tax would add 82¢ monthly or a total of \$9.84 annually. For a major business the increase would be approximately \$120.00 per month. For a small business the increase would be approximately \$11.00 per month.

Tax Administration

The utility tax has a number of advantages. It is inexpensive to administer, and it is relatively equitable. A comparison of various city utility tax rates is attached.

Recommendation

It is recommended that the utility tax for telephone, electrical and natural gas service be increased from 5% to 7% to partially offset revenue reductions if Proposition 13 passes.

Prepared by: R. H. NASH
Director of Finance


RHN:dar

Attachment

INSTITUTE OF GOVERNMENTAL
STUDIES LIBRARY

OCT 28 2024

UNIVERSITY OF CALIFORNIA



Digitized by the Internet Archive
in 2025 with funding from
State of California and California State Library

<https://archive.org/details/C123312095>

COMPARISON OF VARIOUS CITY UTILITY TAX RATES

| | | |
|-------------|-------|---|
| Burbank | | 7% Telephone, gas and electricity |
| Culver City | | 8% Telephone, gas and electricity |
| | | 13% Water |
| Glendale | | 5% Telephone, gas and electricity |
| Inglewood | | 10% Telephone, gas and electricity |
| Pasadena | | 7% Telephone, gas, electricity and cable T.V. |
| Torrance | | 6% Telephone, gas and electricity |
| Los Angeles | | 5% Telephone, gas and electricity |

78 03847.2

U.C. BERKELEY LIBRARIES



C123312095

INSTITUTE OF GOVERNMENTAL
STUDIES LIBRARY

OCT 28 2024

UNIVERSITY OF CALIFORNIA